



MAYOR & COUNCIL COMMUNICATION

June 9, 2009

Subject: Approval of Development Agreement with OT Kino, LLC, for the Plaza Centro Project (Ward 6) Page: 1 of 2

Issue – Mayor and Council is respectfully requested to approve a proposed development agreement between the City of Tucson and OT Kino, LLC providing for development of the Plaza Centro Project.

Recommendation – It is recommended that Mayor and Council approve the Plaza Centro development agreement by adopting the attached Resolution.

Background – The attached development agreement, if approved, would provide for the design and development of the Plaza Centro Project. The development agreement would replace and supercede the option agreement between the City of Tucson and OT Kino that was approved by the Mayor and Council on February 6, 2007.

On November 1, 2005, the Mayor and Council approved an Offer to Exchange that allowed the City to acquire land that is located at the site of historic Fort Lowell, on the west side of Craycroft Avenue, across from the City's Fort Lowell Park, in exchange for a City-owned parcel located at the intersection of East Speedway Boulevard and Bonanza Avenue. The Offer to Exchange also included a First Right of Refusal allowing the owner of the Fort Lowell Parcel, Oasis Tucson ("OT") and its principal investor, Jim Campbell, to purchase the "Greyhound Parcel," located at Congress and Toole, for the City's appraised value, if the City offered the parcel for sale.

On February 6, 2007, the Mayor and Council approved an amendment converting the First Right of Refusal to an Option to Purchase the parcel to allow Mr. Campbell to secure additional financing necessary to complete the development planning for the site. The amendment provided Oasis Tucson with an option to purchase additional land on the north side of Toole Avenue. At the time of the approval of the amendment in 2007, the parties contemplated that they would negotiate a development agreement that would supercede the option agreement and describe the terms by which the City would convey the extended Greyhound parcel to Oasis Tucson for development.

Present Consideration – City Staff and Mr. Campbell have now refined the terms of the development agreement based upon Mayor and Council direction given at the May 12, 2009 Study Session. The key changes now incorporated in the development agreement are:

- An 18 month period for the City and the Developer to advance the design of the project and determine with more certainty that the parking garage component is economically feasible. If not feasible, the City may elect to not participate in the parking garage component of the development.

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- If the garage is constructed by the City and parking in the garage is disrupted by the developer's construction activities, the developer shall lease those disrupted parking spaces at prevailing rates.
- The developer will be responsible for maintenance of the new 4th Avenue underpass elevator.

Financial Considerations – The garage would be financed through Certificates of Participation the City of Tucson would issue but, the debt service will be paid from ParkWise revenues generated by the Centro garage. Staff has analyzed the preliminary pro forma statements and finds the garage should be self supporting and should not need to be subsidized by the general fund.

Legal Considerations – The City Attorney has prepared the attached Resolution for Mayor and Council consideration and approval.

Respectfully submitted,


Mike Letcher
City Manager

ML:C.Leighton/ParkWise

Attachment: Resolution
Development Agreement